

RJRT
Field Sales
Employee Handbook

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INTRODUCTION

Welcome ! We are happy to have you as a member of the R. J. Reynolds Tobacco Company Sales Team.

This handbook contains information that is essential to you and it is important that you have a complete understanding of its contents. Please take the time to read it carefully and to review it periodically.

While the information contained in this handbook is important, it is designed to serve as an overview of specific policies and procedures only, and is not intended to be all-inclusive or exhaustive. There may be times when the Company finds it necessary to change or modify certain policies, both written and unwritten, as business requires. Accordingly, the contents of this handbook are subject to change at any time, at the discretion of the Company, and do not constitute an employment contract or any part thereof. It is recognized that an employee can terminate his/her employment at any time and for any reason, and the Company reserves the same right to terminate an employee at any time and for any non-discriminatory reason. This booklet does not change or affect the at-will status of any employee.

The policies and procedures, as explained in this handbook, supersede any and all previous versions of these policies and procedures, regardless of how they have been communicated.

This manual does not supersede or modify the terms and provisions of existing employee benefit plans and programs. The actual terms and provisions of the respective benefit plan or program documents will govern and control the interpretation and administration of such plans.

This manual has been developed for the sole benefit and use by R. J. Reynolds Tobacco Company's Field Sales employees, and should be maintained in a confidential manner and should not be communicated or distributed outside the Company or its employees.

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GENERAL INFO

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I. GENERAL INFORMATION

Work Week

The established work week for R. J. Reynolds Tobacco Company employees is five eight hour days per week, Monday through Friday. The standard eight hour work-day is from 8:00 a.m. to 5:00 p.m. (including a one hour meal break).

Managerial Employees: As Exempt employees, management personnel are responsible for meeting the accountabilities and responsibilities entailed in their position, regardless of the standard hours or standard work week.

Sales Representatives: As Exempt employees Field Sales Representatives are also responsible for meeting the accountabilities and responsibilities of their position regardless of the standard hours or standard work week. Field Sales Representatives are expected, however, to concentrate their sales efforts between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday, in recognition of the normal business hours of most of our customers. They will also be allowed some flexibility in scheduling their days as long as it does not negatively impact their overall job performance and productivity.

Secretaries: As Nonexempt employees, the standard hours and standard work week do apply to Field Sales Secretaries, however, any additional hours worked over and above the standard hours, will be compensated by overtime pay in accordance with applicable state and federal regulations.

Note to Secretaries: While overtime work is not required, or allowed without management approval, all overtime hours should be accurately reported whether or not it was required or approved, and it will be paid accordingly. Repeated or continued working of unapproved overtime, however, may result in corrective action being taken due to failure to follow management instruction.

Expense Reports

Reports should be filled out daily and mailed to your Division Office promptly at the end of the last day worked each bi-weekly pay period.

Name Stamp

You will be furnished a name stamp that should be used on all reports and receipts mailed to Winston-Salem. It is extremely important that your account number is always legible.

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Absence From Work

1. Exempt

Exempt employees must notify management in a timely manner when circumstances (personal, sickness, etc.) prevent them from reporting for a scheduled work day or when circumstances arise causing the employee to miss more than four (4) hours of any scheduled work day.

While their pay will not be affected, exempt employees should make the appropriate notations on their Bi-weekly Expense and Payroll Reports specifying why they are off duty, using the following symbols for the purpose explained in the "Hours Worked" space of the report.

S - Absence due to personal physical ailment or dental care.

F - Absence due to death and/or funeral of member of family.

J - Absence due to jury duty.

H - Holiday

V - Vacation

M - Military Reserve Training

The above notations should only be used when absences are for more than four (4) hours.

It is not necessary for exempt employees to make notations for absences of less than four (4) hours or to show total hours worked on Bi-weekly Expense and Payroll Report.

2. Non-Exempt

Non-exempt employees must notify management in a timely manner anytime circumstances (personal, sickness, etc.) prevent them from reporting for a scheduled work day, or when circumstances arise causing the employee to leave from a scheduled work day early, and show actual hours worked for all partial days (4 hr., 5 hr., etc.).

Enter the appropriate absence symbol immediately to the left of the hours, utilizing the appropriate code specified above in the Exempt employee section, and show total hours worked on Bi-weekly Expense and Payroll Report for all reporting periods.

Field Sales Operating Fund

This fund is to be used only for Company expenses which are incurred in the normal course of performing assigned duties.

Upon the termination of your employment, or whenever otherwise requested, this money must be returned in full.

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This money is to be used in accordance with the terms of the agreement you sign at the time the fund is issued, and failure to do so could result in the immediate termination of your employment.

Robinson-Patman Act

The Promotional Allowances and Services sections of the Robinson-Patman Act require that both competing retailers and wholesalers in any given trade area be treated on a proportionally equal basis.

A Company violates the Robinson-Patman Act by giving higher promotional payments or services to some accounts and not others (other than on a proportional basis, worked out with our law department) or by other methods of conferring preferential treatment. With this in mind, please remember that in the solicitation of orders from retail accounts, you must not suggest to a retailer the jobber with whom an order will be placed, or attempt in any way to influence a retailer's choice of the jobber through whom he/she prefers to purchase their goods. This decision must be entirely up to the retailer.

Rumors

From time to time untrue rumors about this brand or that, or this company or that, start "making the rounds" in various sections of the country. Almost invariably, these tales are utter nonsense, having not the slightest basis in fact. As all should know, however, a rumor is about the easiest thing in the world to start - and the hardest to stop!

In times past, such rumors have been circulated about various tobacco products, including some of ours. This is not only harmful to the industry, but is unlawful.

Therefore, we must have no part in spreading rumors. If told a rumor, regardless about which company or brand, we must deny any knowledge of it. If asked about a rumor, we should state that we know of no grounds for such a story, and quickly drop the subject.

Any employee known to have started or found circulating such a rumor will be subject to the immediate termination of his/her employment.

Communications With Competitors and Customers

You should never discuss past, present or future prices, or conditions of sale with competitors; nor should you discuss direct listing with competitors or customers.

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Policy on Statements Involving The Company

Members of our Field Sales Force must not discuss Company business with any member of the news media or any representative of the broadcast media (radio or television), no matter how informally. Any news releases, news photographs, and interviews pertaining to Company activities will be issued or approved by the Home office only. (Each news release will carry the name and telephone number of the proper person to contact if additional information is needed.)

Handling of Merchandise

Before merchandise owned by any wholesale or retail account is removed from the outlet, it must first be checked out by the manager or someone acting with the authority to act for the manager. Additionally, any merchandise being brought into a wholesale or retail outlet must be checked in by a person with authority. In all cases, the proper RJRT form (Cash Order Slip) indicating an Exchange, Cash or Bill-Through transaction must be signed by a person with the appropriate authority. These instructions must be adhered to at all times. If you have any questions, promptly get in touch with your Division Management.

Calling on Schools

I. When Contacting On-Campus Cigarette Outlets, It Is permissible to:

1. Check and rotate stocks of our brands.
2. Sell to the retail outlet any of our brands that may be needed to maintain distribution.
3. Call on retail accounts located on college campuses and offer package and carton merchandisers and shelf contracts.

When retail package or carton merchandisers are installed in retail outlets located on college campuses, all advertising copy must be removed before the fixture is placed in these locations. It is strongly recommended that when a package or carton merchandiser is placed in a retail outlet located on a college campus, that a member of management personally supervise the installation to ensure compliance with this policy.

II. When Contacting On-Campus Cigarette Outlets, It Is NOT Permissible To:

1. Engage in cigarette promotion of any nature in cigarette outlets on campus, on school facilities, or in fraternity or sorority houses.

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2. Advertise, display or promote cigarette products in any other way in retail outlets located on college campuses; therefore, permanent cigarette counter displays, on-pack and on-carton promotions, or any other promotional programs will not be permitted in these outlets. This must be thoroughly understood.
3. Place, or furnish, any cigarette advertising matter - posters, decals, calendars, cutouts, stickers, ashtrays, etc.

The above instructions apply to any and all facilities of schools, colleges, universities, military academies and youth job corps centers, regardless of whether located on or off the school's property.

Security

As part of our continuing concern for the personal safety of our employees, as well as for the security of your Company vehicle and other Company property, the following security guidelines have been developed for your consideration as you carry out your day-to-day accountabilities.

Please review these guidelines carefully and keep them in mind when you inevitably find yourself in one or more of the situations addressed. As you will see, these guidelines are very general in nature, and are certainly not meant to be alarmist. Rather, much of what is contained in the guidelines is simply common sense guidance which, if practiced regularly, will enhance both your personal security, as well as that of your Company vehicle and property.

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RJRT SALES PERSONNEL VEHICLE SECURITY CHECKLIST

1. To reduce the risk of breakdowns, keep your vehicle well maintained and never let the gas tank fall below one-quarter full.
2. Before entering your vehicle, either at home, at the office, or at an account, make it a habit to observe the environment surrounding the vehicle. Be alert for individuals who appear to be loitering in the general area where the vehicle is parked.
3. As you proceed toward your vehicle, be aware of other individuals who may be walking in the direction of your vehicle, whether following you or from another direction. Slow your pace and watch how the situation develops. If the individuals pass on, proceed to your vehicle; but if there appears to be some risk, return to the store or office you just left.
4. Always approach your vehicle with keys in hand. Do not use magnetic key holders to hide a spare car key on your vehicle.
5. Before unlocking the vehicle, make a quick visual inspection of the interior. Once inside, make it a habit to lock the doors.
6. If any items are discovered missing in the vehicle, immediately lock it and phone the local police and your office to report the theft.
7. Always attempt to park your vehicle in the safest location possible: On the job, as near to the entrance of your account as possible.
8. If your vehicle is equipped with an alarm, it should always be activated when you are not in the vehicle.
9. Don't stop your vehicle merely because someone is attempting to wave you down, especially if you are in a remote location. If someone appears to require assistance, you may stop and partially roll down your window to inform the party that you will send help.
10. If someone other than a uniformed or plainclothes officer in a clearly marked squad car attempts to force you to stop, do not comply. Continue to drive to a place where you can stop in relative security, such as a police department, fire department, or service station.
11. Know the location of police, fire, and service stations in the areas you normally pass through. Always attempt to travel known, well-used, lighted streets and highways. Before taking a shortcut, think through your decision.

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RJRT SALES PERSONNEL VEHICLE SECURITY CHECKLIST (continued)

12. If someone does follow you, drive in the center lane (if available) to maintain maneuverability in the event the individual attempts to cut you off.
13. If someone attempts to enter your vehicle at a stoplight or stop sign, begin sounding your horn and drive on as soon as traffic conditions allow. If the intersection is clear, drive through.
14. If your vehicle breaks down in an area which, due to time of day or area location, causes you concern about personal safety, do not get out of your vehicle unless conditions force you out. Be prepared to stay in your vehicle and wait for help or possibly daylight to arrive.
15. If you are involved in an accident and are concerned about your safety, due to the demeanor of the other driver or persons gathering around the scene, remain in your vehicle until the authorities arrive.
16. Exercise caution when sitting in your vehicle alone performing paperwork. Windows should be rolled up and doors locked. In warmer weather, a common fault is to turn off the engine and open the windows for ventilation.
17. When parking your vehicle at an attended garage or parking lot, leave only your ignition key. Reduce the opportunity for enterprising thieves to make duplicates of household or office keys.
18. After dark, always attempt to park only in lighted, populated locations.

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**REFERRAL BONUS PLAN FOR REFERRING REPRESENTATIVES AND
SECRETARIES**

The R. J. Reynolds Tobacco Company has a Referral Bonus Plan for referring Field Sales Representatives and Field Sales Secretaries.

Details of the Plan are as follows:

1. The Plan is available to all full-time regular employees of R. J. Reynolds Tobacco Company Field Sales Force, except management. (Members of the Field Sales Management are not eligible for compensation under this Plan.)
2. Under the Plan, an eligible employee will receive a \$400.00 bonus for each applicant for positions of full-time Retail Representative or Secretary - Field Sales referred to Management, if such applicant is employed.
3. This bonus of \$400.00 will be subject to Federal and State taxes as income; however, such taxes will be grossed-up (i.e., the Company will pay all Federal and State Income Taxes applicable to this bonus). This income will not be considered as part of an employee's annual salary when computing the employee's Retirement Benefits or any other employee benefit program based on annual salary.
4. Employees referring applicants under this Plan are requested to give careful consideration to the qualifications of each applicant they refer. Only those who are believed to qualify for the positions of Retail Representative or Secretary - Field Sales should be referred.
5. When an employee-referred applicant for the full-time Retail Representative or Secretary - Field Sales is employed, the Division manager, on or after the effective day of employment, must advise the Sales/Marketing Personnel Department, by letter giving the names of both the new Representative or Secretary - Field Sales and the non-management employee who referred the new employee. Once this information is received, a check for \$400.00 will be mailed to the qualifying employee. NOTE: In order to qualify for this referral bonus, the employee's name must be listed as the referral source on the new hire's original employment application.
6. If the applicant is referred for part-time employment and subsequently is hired as a full-time Retail Representative or Secretary Field - Sales, the non-management employee will qualify for the referral bonus.

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REFERRAL BONUS PLAN FOR REFERRING REPRESENTATIVES AND SECRETARIES (continued)

7. If a referred applicant is not employed, it will be the responsibility of the Division Manager to promptly explain to the employee who made the referral why the applicant was not employed. This is very important and must be done without fail.
8. In the event that more than one employee refer the same applicant, the referral bonus will be divided equally between the referring employees.

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COMPANY VEHICLES

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II. COMPANY VEHICLES

Operating Guidelines

Your Company vehicle is the most expensive piece of equipment furnished you.

It is your responsibility to:

- Operate your vehicle safely and economically.
- Wear seat belts while operating or riding in a Company provided vehicle.
- Maintain your vehicle as prescribed in this manual and the manufacturer's warranty booklet.
- Properly report information on mileage and expenses incurred to operate and maintain your vehicle.
- Properly and accurately report vehicle accidents and ensure approved repair of physical damage incurred to your vehicle as the result of an automobile accident.
- Ensure vehicles do not tow boats, campers or other recreational equipment as trailer hitches are not authorized equipment.
- Ensure that current insurance identification, registration and PHH service cards be kept in the vehicle glove compartment.

Preventative Maintenance

Preventative maintenance cannot be over stressed. If a vehicle is properly maintained, serious problems should not develop prior to replacement time. **Maintenance repairs due to driver neglect may be charged back to the driver at a rate of 100% of the repair cost.** A Vehicle Maintenance Record Form 5862 should be kept in your glove compartment to record maintenance services, mileages and dates. When in doubt as to when your vehicle was last serviced, you will be able to refer back to your maintenance record. Your division office may order additional cards (Item #058628) via the Sales Materials System.

REMEMBER: Good preventative maintenance practices will ensure you of purchasing a dependable vehicle should you choose to purchase the vehicle through the employee ValueBuy Program.

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Maintenance of Vehicle

PHH Fleet American (PHH), our leasing firm, aids in helping to control the operating cost of our fleet, reduce vehicle downtime and to assist in improving your productivity. The most important element in this program is you. In order for the Company to maximize its savings, you must thoroughly understand the program.

Maintenance repairs fall into two categories -- repairs under \$100 and repairs over \$100.

- **REPAIRS UNDER \$100**

Minor repairs under \$100, such as oil change, lube, headlights, or windshield wiper blades, can be charged on your Bi-weekly Expense Report. Always attach receipts to Bi-weekly Expense Reports for any expenditures totalling \$25 or more for the same day for the same expense code. (Whether it may be one receipt or a multiple of receipts.) Enter charges on the day the expenditure is made. See that your name and date of expenditure appear on every receipt. When receipt is not made out accordingly, always use your name stamp and insert date. All receipts should be signed by the person to whom money is paid. Any invoices not properly receipted will not be reimbursed. Maintenance expenditures processed via the Sales Expense System will be automatically captured and forwarded to PHH via the Car Master System.

You also have the option of charging these repairs on your PHH service card without the need for prior approval from PHH Vehicle Maintenance Assistance.

- **REPAIRS OVER \$100**

Maintenance repairs will be charged on your red PHH service card. You should:

- Call PHH on the toll-free line before going to a repair facility (1-800-638-7900). Your first contact will be a PHH maintenance specialist who has an average of 20 years of automotive repair experience. They are there to get you back on the road quickly - at a competitive cost while ensuring necessary maintenance and repair work has been performed.
- Identify yourself by giving your Company name, vehicle number and physical location.

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- Describe your problem to the service specialist. Only repairs identified by you will be made. This will eliminate the "over-sell" by the repair facility.
- Provide your physical location including area code and telephone number from where you are calling. PHH utilizes this information to scan their network of repair facilities that are quality-rated. They will recommend a repair facility for you.
- If the facility is not convenient, advise PHH so that another facility can be agreed upon.
- Take the vehicle to the agreed facility.
- Identify your vehicle as a PHH Vehicle Maintenance Assistance unit by presenting your PHH service card.
- Give facility your name, Company and vehicle number.
- Discuss problem with service manager. Instruct him to call PHH on the toll-free number with diagnosis and estimate of repairs needed.
- Make sure all repairs were completed satisfactorily before signing the receipt. If repairs are not satisfactory, contact PHH Vehicle Maintenance Assistance.

While your vehicle is in the shop and in addition to your requested repairs, the maintenance specialist monitors for motor company recalls and potential warranty claims. Warranty repairs will be handled by the dealership or by the facility that performed prior related repairs.

If you call PHH on weekends, after hours or holidays, you will hear the following message: "Hello, you have reached the Vehicle Services Department. This is an after hours recording for the PHH Red Card and PHH Vehicle Maintenance Assistance.

If the required service is an emergency or is necessary for the safe operation of the vehicle, your request is granted. This does not include major repairs.

Please call for an authorization number during our normal working hours, 7:30 a.m. to 9:00 p.m. Eastern time, Monday through Friday. Saturday 8:00 a.m. to 5:00 p.m.

If you would like to leave a message, do so at the tone."

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This is your approval for emergency repairs. Since we are in work assignments every day, we suggest that you call PHH back the next working day and give them the information they need for their records.

- **GASOLINE AND OIL**

Gasoline should be purchased from self-service stations. Premium or high-test gasoline is not authorized. You should use a motor oil that meets the manufacturer's warranty requirements. Oil should be checked on a regular basis to ensure proper levels. Poor oil condition can be considered negligence if damage is done to the engine.

- **TIRES/TIRE MAINTENANCE**

All purchases of tires should be made through PHH Vehicle Maintenance Assistance and should not be purchased at the local service station and charged on your Bi-weekly Expense Report. By using PHH, it provides us the opportunity to capitalize on fleet discounts offered by the National Account facilities. (Tires should be purchased and charged on your expense report only in an emergency situation.) Since tires represent a substantial part of the operating cost of maintaining vehicles, tire pressure should be checked weekly. You should observe tire wear patterns and check for possible problems. Properly inflated tires will give longer wear and help increase gas mileage.

- **WASHING**

You are authorized to charge washes for your Company vehicle on your Bi-weekly Expense Report. Reimbursement will be made for reasonable charges. Steam cleaning of engines, interior, or waxes are not reimbursed.

PHH Service Card

- **New Unit**

When a new unit has been delivered and assigned in the Car Master System, a service card is automatically requested from PHH and should be received by the Division Office within 2-3 weeks.

- **Trade-In Unit**

When a vehicle is removed from service, the PHH service card should be cut in half and disposed of.

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- **Lost/Stolen Cards**

If the card is lost or stolen, immediately notify Fleet Operations of the vehicle number. A replacement card will be requested from PHH and mailed to the Division Office within 2-3 weeks.

Maintenance cards are assigned to the vehicle not the driver. Cards should be kept in the vehicle glove compartment while the vehicle is active. If the vehicle moves to another Division, the card should move with the vehicle.

Insurance Cards

Annually, new insurance identification cards will be provided for all states to Field Sales management.

Registration Renewal

License renewal information on leased vehicles will be mailed to each driver or Division Office by PHH or the State, depending on state regulations. If the renewal notice is not received on leased vehicles, take the old registration card, PHH Power of Attorney, and insurance card (if applicable within your state) to the Department of Motor Vehicles and advise them no notice was received or carry old plate or plate number along with PHH Power of Attorney, and insurance card (if applicable within your state). It will be responsibility of each driver to renew his license plate or sticker. The excuse of not receiving the renewal notice from PHH or the state is not acceptable to the state as the driver is responsible for ensuring proper licensing. Operating the vehicle on expired plates or sticker could result in a violation fee. Division Office/drivers should not mail renewals to the state as the new plate or sticker will be delayed. The states of Connecticut and New Jersey are exceptions and require that vehicle registration renewals be handled by mail. **ANY PROBLEMS SHOULD BE DIRECTED TO PHH TITLE & TAX (410-771-2531).**

Vehicles should be titled and registered where they reside at night.

Accidents

Accurate and complete reporting of accidents involving a Company vehicle is the responsibility of you, not RJRT Management. In an accident that involves another party, you should:

- Immediately call law enforcement authorities to the accident scene.
- Avoid making statements which might be understood as an admission of fault.

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- Avoid making promises/comments which would obligate RJR's insurance company.
- Never personally pay the other party for injuries or property damage.

All negotiations and settlements should be handled by the insurance carriers involved under the direction of RJRT Fleet Operations and/or RJRN Asset and Risk Management Departments.

Verbally advise Management that an accident has occurred and call the accident information to TelePlus (1-800-7KEMPER or 1-800-753-6737) within 48 hours. (TelePlus Hours: 7 a.m. to 7 p.m., Central time, Monday-Friday. An answering service is in place to handle after-hours emergency calls.)

All accidents, regardless of cost, that result in the following must be verbally reported:

- Physical damage to a rented, leased or owned vehicle (Exception: Broken glass damage only should be repaired through PHH).
- Compensation for Employee Personal Injury.
- Second party liability claims for injury and/or vehicle/property damage.

Be prepared to provide TelePlus with the following basic information:

- **INSURED INFORMATION**

Company Name: RJR Nabisco, Inc.
 Subsidiary Name: R. J. Reynolds Tobacco Company/Sales
 Address: Division Office Address
 Telephone Numbers: Business and Residence
 Contact Name: Driver

- **LOSS INFORMATION**

Date and Time of Accident
 Insurance Location Code:
 Area 1/North Atlantic = 37501
 Area 2/South Atlantic = 37502
 Area 3/North Central = 37503
 Area 4/Mid Continent = 37504
 Area 5/Pacific Mountain = 37505
 Area 6/Mid Western = 37506
 Accident Location: Address, City, State and County
 Driver: Name, Home Address and Phone Numbers

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Company Vehicle: Model/Make/Year, Vehicle
Identification
Number, Plate Number and Description of Damage
Other Involved Parties: Names, Addresses and Phone
Numbers, Property Damaged/Description and Insurance
Information
Injuries: Names, Addresses, Phone Numbers,
Descriptions of Injuries
Witnesses: Names, Addresses, Phone Numbers

Request TelePlus to capture the following in the system note fields:

Note 1: Vehicle Number

Note 2: Your Name and Employee Account Number

A copy of the accident report will automatically be mailed to management at the Division Office address and to Fleet Operations. In order for you to receive a copy, it must be requested at the time the accident is reported to TelePlus.

Accident Repair Instructions

TelePlus will assign the claim to an adjuster in the nearest insurance office and the driver/Manager will be contacted within 48 hours. If contact has not been made within this timeframe, notify Fleet Operations.

Per request, the insurance claim adjuster will direct you to a reliable facility for repair estimates.

Do not assume that all repairable vehicles will be repaired. Authorization to repair a vehicle is the accountability of Fleet Operations. Many factors are considered to ensure a cost effective repair decision is made.

Your Manager will be advised by the insurance adjuster or Fleet that repairs have been approved. A draft for payment to the repair facility will be mailed to your Manager's attention.

Do not imply verbal consent or sign any work orders for repair forms which authorize the facility to begin repair or to order parts unless a check has been received or Management has been notified by Kemper or Fleet Operations that repairs have been approved. Unauthorized commitments are legally binding for RJRT and can be costly.

You and/or Management will be responsible to follow up with the repair facility for scheduling approved repairs and will ensure completed repairs are satisfactory.

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Alcohol/Drugs

If you are driving under the influence of alcohol/drugs and damage a Company provided vehicle, you may be held accountable for 100% of the repair cost and/or jeopardize your employment.

Summons/Subpoena

If you receive a summons or subpoena resulting from an automobile accident, notify your Manager immediately so that it can be forwarded to the insurance company and Fleet Operations for proper handling.

Personal Use

You are authorized to use the Company vehicle for personal business. Only you or your spouse are authorized to drive the vehicle. Children, relatives and non-employees are not authorized to operate a Company vehicle.

Your vehicle **CANNOT** be driven into Mexico. If you plan to travel to Canada, notify your Division Manager so insurance certificate forms can be issued. These forms should be carried with you during your trip.

Employees are charged for use of their company vehicles at the current mileage rate as authorized by the Federal Government.

Reimbursement for loss of personal items and/or merchandise stolen from the Company vehicle while on personal use will not be considered.

You must keep an accurate record of "personal use" mileage and report it as instructed on your Bi-weekly Expense Report. The Company will pay for gasoline, oil, maintenance and insurance regardless of whether the vehicle is used for Company business or personal use. The Company will not pay for parking fees, storage charges, bridge or highway tolls, etc., incurred while the vehicle is being used for personal business.

Storage

You are responsible for protecting merchandise and/or returnable property that may be carried in your vehicle. The Company does not carry insurance covering these losses or losses of personal items. You will be required to reimburse the Company for losses occurring as a result of negligence. Company vehicles must be safely stored at the close of each day's business. Only sales reps are authorized to charge a maximum of \$20/month for vehicle storage. All receipts must show the specific storage location and period covered. Storage of Company vehicles is a chargeable monthly expense **ONLY** when the vehicle is enclosed in a **LOCKED** private or commercial garage. When a Company vehicle is parked under a non-enclosed carport, in a personal driveway, on a public lot, or on a public street, storage charges will not be allowed.

Vehicle Break-Ins

Employees will be required to reimburse the Company for losses and/or damages resulting from break-ins to the Company vehicle, if it is determined that employee negligence was a contributing factor in the break-in. While not all inclusive, the following is a list of factors which will be considered in determining whether or not employee negligence was a factor:

1. If the vehicle is equipped with an alarm, was the alarm activated at the time of the break-in?

If the alarm is not functioning properly, Division Management must have been notified, in writing, by the employee, prior to the break-in.

2. Were the doors, windows and trunk of the vehicle properly locked and secured?
3. Was the vehicle parked in the most secure area available at the time of the break-in?
4. Was there evidence of forced entry on the vehicle?

NOTE: The employee will be required to reimburse the Company for any losses/damages incurred due to a break-in, if the vehicle was in personal use at the time of the break-in.

Employees who will be off work for more than five (5) working days as a result of vacation, long or short-term absences, etc., should return all product to the Wholesaler for credit, prior to the absence.

ALL VEHICLE BREAK-INS MUST BE REPORTED TO THE POLICE IMMEDIATELY.

Rental Vehicles

At times, it may be necessary to rent a vehicle for use on Company business, while your Company assigned vehicle is being repaired. You may choose to use one of the following services:

PHH - 1-800-638-7900
Consolidated- 1-800-323-6644 (Outside Illinois)
- 1-312-640-2620 (In Illinois)

Rental vehicles are covered under RJRT's Corporate insurance program. Additional insurance should not be purchased. The above rental sources have on record the appropriate certificate of insurance. PHH and Consolidated bill RJRT directly.

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Employee's Personal Vehicles/Company Business

Employees are reimbursed for the use of their personal vehicles on Company business at the authorized mileage rate. RJRT assumes no liability for damage to the employee's vehicle while it is being used for Company business.

New Vehicle Ordering

On an annual basis, Field Sales vehicle requirements are evaluated and a list of vehicles is approved by the Executive Vice President of Sales. The vehicles selected are based upon your job requirements, acquisition cost, operating cost, and the needs of the Field Sales Department.

The replacement criteria is as follows:

Vans	4 years/70,000 miles
Automobiles	4 years/60,000 miles

Fleet Operations will notify Management when your vehicle is due for replacement. New vehicle ordering has been automated via the Car Master System and a 3 week timeframe is allowed for vehicle selection and entry by your Division Office.

Drive paid options are not available on vans.

Alarms require Regional Manager approval.

Special delivering dealers may be requested. However, if the delivery fee or service rating is unacceptable, PHH is authorized to select the most qualified dealer closest to your home address zip code.

Fleet's objective is to trade vehicles as closely as possible to the replacement criteria. Therefore, all new vehicle orders are not immediately released to the motor company.

New Vehicle Delivery

When your new vehicle arrives at the dealership:

- Delivering dealer will notify the division office so you can make arrangements to take delivery.
- Check your vehicle carefully to ensure that the vehicle being delivered was ordered to specification by utilizing the Purchase Order Acknowledgment provided to your Division Office.

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- Inspect the vehicle for any damage or problems before signing the delivery papers.
- Indicate any unsatisfactory condition or shortage that exists on the delivery papers before they are signed.
- Notify Fleet Operations if damages/problems are encountered with the new vehicle or with the delivering dealer.

REMEMBER: YOUR SIGNATURE INDICATES YOU HAVE VERIFIED THAT THE NEW VEHICLE IS EQUIPPED AS SPECIFIED.

After you have taken delivery of your new vehicle, provide a copy of the delivery receipt to your Division Office for Car Master System update. Out-of-pocket vehicle expenses cannot be entered in the Sales Expense System until your new vehicle is active in the Car Master System.

Old Vehicle Disposition

You are given first opportunity to purchase your used vehicle. If you elect not to purchase, it may be sold to any third party. Prior to delivery of your new vehicle, PHH will send you a quote on the purchase price. The purchases must complete the paperwork and return it to PHH within 15 days from the received date.

PHH will send additional purchaser instructions outlining the steps to complete the transaction. When your new vehicle is delivered, the purchaser takes possession of the old unit. License plates on the old unit should be transferred if applicable or turned into the Department of Motor Vehicles.

If the old unit is not purchased by you or a third party, leave it at the dealership when your new vehicle is delivered. PHH will make arrangements to dispose of the old unit.

There is no insurance on the old unit as soon as the purchaser takes possession. The vehicle must be parked until proper titling has been handled by the new owner.

Safe Driving Program

All full-time Field Sales personnel assigned a Company vehicle are eligible to participate in this program. The program is designed to encourage defensive driving and to recognize drivers who do not incur a chargeable accident during the year.

Our safe driving program has many goals.

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First, you are important to us and we wish to keep you safe at all times. Second, we wish to keep costs down in the area of accident repairs and in lost time away from your accountabilities.

The Field Sales Department has achieved an outstanding record in traffic safety through the years. This has been possible because of the strong desire of our drivers to adhere to the rules of safe driving. You will be recognized in our safe driving program for each year you drive accident free.

Safe Driving Certificates and recognition awards are presented to drivers to recognize this accomplishment.

Seat Belts

In many states, it is a law that seat belts be worn when operating or riding in a motor vehicle of any kind. RJRT would like to stress the importance of this law. It does save lives. Each employee assigned a Company vehicle must "buckle up" each time they enter a Company vehicle as a driver or a passenger.

Personal/Commuting Mileage - Taxable Benefit

The Company is required by the Internal Revenue Service to include the use of the Company vehicle for personal use as a Fringe Benefit. Therefore, each employee who drives the Company vehicle for personal use is required to pay appropriate taxes. This is done based on the percentage of personal miles to total miles driven during the fiscal year (Nov 1 through Oct 31) multiplied by the IRS's published Fleet Annual Lease Value (\$4,350 for 1992) of the Company vehicle. In addition, there is also a required charge of 5.5 cents per personal mile for fuel surcharge.

The amount imputed (added to) income for the taxable portion of this benefit will appear in your year end Form W-2 Wage Statement based on the following:

- The period used to determine this income will be November 1 through October 31 annually.
- The imputation will be included in your income during November/December. Social Security, Medicare, and applicable state/city/local taxes will be withheld from your regular check to satisfy withholding requirements on this income. However, you may owe other tax liability on this income at the time of filing your personal tax return.
- Commuting miles are included in personal miles.
- If you have a Company vehicle only part of the fiscal year, the Annual Lease Value will be pro-rated based on the percentage of time you have the vehicle during the year.

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- The imputed income will be reduced by the 14 cents per personal mile which has already been deducted from your pay.

In order to provide each employee with a better and more complete understanding of the imputed process, the sample form on the following page has been developed. This form is intended to heighten awareness and provide feedback as to the percent of benefit.

This form will be distributed to all Field Sales employees immediately after fiscal year end of October 31. In addition, the total miles driven, as well as the personal/commuting miles, will be reported on each employee's payroll check stub, in order to allow the employee to maintain a running calculation of what his/her taxable benefit will be.

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SAMPLEJoe CamelP. O. Box 2959Winston-Salem, NC 27102Date Nov. 2, 1992**PERSONAL USE OF COMPANY PROVIDED AUTOMOBILES**Listed below is the status of your automobile mileage as of 10/31/92.

	MILES	PERCENT
Business	<u>12,000</u>	<u>70.5</u>
Personal	<u>5,000</u>	<u>29.5</u>
Total	<u>17,000</u>	<u>100.0</u>

Note: Commuting miles are included in personal miles.

IMPUTED INCOME COMPUTATION (10/31/92 ONLY)

		INCOME
IRS Published		
Annual Lease Value	X Personal Mileage Percent	\$
\$ <u>4,350.00</u>	X <u>29.5</u> % =	<u>1,283.25</u>
Fuel Surcharge	X Personal Mileage	\$
\$ <u>.055</u>	X <u>5,000</u> =	<u>275.00</u>
Less Current YTD Payroll Check/Memo Deductions (14 Cents Per Personal Mile)		\$
		< <u>700.00</u> >
Amount Added to IRS Form W-2 As Imputed Income		\$ <u>858.25</u>

Note: For part year mileage, the Annual Lease Value has been pro-rated
at 100 percent.

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III. EMPLOYMENT PRACTICES

Equal Opportunity/Affirmative Action

R. J. Reynolds Tobacco Company adheres to a policy of equal employment opportunity and affirmative action in all personnel actions and in every phase of its business activity.

Accordingly, equal opportunity is afforded to all employees and applicants for employment regardless of race, color, religion, sex, sexual orientation, age, national origin, handicap, or status as a disabled veteran or veteran of the Vietnam Era, in all personnel actions.

It is the Company's policy to maintain a working environment free from discriminatory insult, intimidation, or harassment due to any of these factors, and any such incident, should be promptly reported to management for investigation and corrective action as appropriate.

The Company will not retaliate or discriminate against any employee or applicant because he/she has opposed an employment practice made unlawful, or filed a charge of employment discrimination, or testified, assisted, or participated in any way in an investigative proceeding or hearing relating to employment practices.

The Company has developed, and is currently administering, an affirmative action program. If you have any questions regarding the program, or opportunities within the Company, please see your Division Manager.

Sexual Harassment

It is the policy of the Company to maintain a working environment free from all forms of sexual harassment. Sexual Harassment in any manner or form is expressly prohibited. All incidents of sexual harassment will be promptly and thoroughly investigated, and appropriate corrective action will be taken. Any employee who engages in any action or conduct constituting sexual harassment will be subject to appropriate corrective action, up to and including immediate termination.

Sexual Harassment includes, but is not limited to, the following:

- A. Unwelcome, deliberate, or unsolicited verbal comments, gestures, or physical actions of a sexual nature toward another employee.
- B. Demanding sexual favors or sexual activity of another employee.
- C. Subtle pressure for sexual favors or sexual activity of another employee.

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- D. Explicit or implicit promise of preferential treatment with regard to an individual's employment status in return for sexual favors or sexual activity.
- E. Taking, recommending, or refusing to take or recommend, any personnel action with respect to an employee because of the employee's rejection or refusal of sexual favors or sexual activity, or for reporting sexual advances or demands for sexual activity.
- F. Exercising or attempting to exercise the power of authority of one's position to control, influence or affect the career, salary, job, or other employment conditions of an employee in exchange for sexual favors.

It is the responsibility of any employee who believes that he/she has been subjected to sexual harassment, either by a member of management, co-worker, or customer, to immediately report the incident to the appropriate local manager, or directly to the Sales & Marketing Employment Practices Manager in Winston-Salem.

All reported incidents of sexual harassment will be promptly and thoroughly investigated. At the conclusion of this investigation, all involved parties will be informed of management's findings, and appropriate corrective action will be taken.

Corrective Action Policy

The Company believes that rules of conduct are necessary for the safe and efficient operation of the Company, and that corrective action will occasionally be required to protect the interests of the Company or other employees, or to assist employees in improving their own performance. Therefore, situations requiring corrective action will be acted upon promptly, though not in haste, and the action taken will be consistent, impartial, and based on sound and prudent judgment.

In most cases requiring corrective action, the Company will follow a process of progressive discipline, designed to give the employee the direction and opportunity necessary to correct the problem. In these cases, the steps of progressive discipline will normally include an ORAL WARNING, followed by a WRITTEN REPRIMAND, FINAL WRITTEN REPRIMAND, and finally, if necessary, TERMINATION.

Although this progressive approach to corrective action will be followed in most cases, there may be instances where one or more of these steps may be omitted, due to the nature or severity of the infraction. While it is not possible to specify

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the appropriate corrective action for every situation, it is the responsibility of management to determine the appropriate action on a case by case basis, considering the particular facts and circumstances involved.

While not intended to be all inclusive, the following is a list of actions which could result in the termination of employment for the first offense:

- A. Abusive or threatening language or actions toward a member of management, fellow employees, or customers.
- B. Willful destruction or misuse of Company or customer's property.
- C. Taking Company, customer, or fellow employee's property without permission.
- D. Gross misrepresentation of Company reports.
- E. Refusal or failure to repair, replace, or reimburse the Company for damages to the Company vehicle, or other property, resulting from the employee's negligence.
- F. Gross misconduct, or the violation of generally accepted/common sense standards or rules of conduct.
- G. Shortage in the Field Sales Operating Fund that will not or cannot, be reimbursed by the close of the next business day.
- H. Serious violations of the Company's Sexual Harassment Policy.

Alcohol/Drug Abuse

I. Policy

The Company believes that every employee deserves to work in a safe and productive environment. Individuals who abuse alcohol/drugs are a potential hazard to safety and productivity in the workplace. Therefore, the Company's policy on alcohol/drug abuse is designed to help protect the safety and health of all employees.

If an employee sells, distributes, purchases, or possesses drugs (as drugs are defined in state and federal drug laws and regulations); solicits the purchase of sale of drugs, or violates any state or federal law or regulation applicable to drug use, during working hours, or while on Company business; or if an employee engages in unauthorized use of alcohol during working hours or while on Company business, such employee is subject to the immediate termination of his/her employment.

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II. Procedure**1. Mandatory Referral for Assessment and Assistance.**

When safety, work performance, attendance, or conduct is interfered with by an employee's apparent alcohol/drug abuse, a mandatory referral to the Company's Medical or Employee Counseling Department will be made by management, and the employee will be suspended from work, with pay, until further notice.

An employee's refusal to participate in this mandatory referral will result in appropriate disciplinary action, up to and including the immediate termination of employment.

If the referral to the Medical or Employee Counseling Department results in a determination that the work related problems were the result of an alcohol/drug abuse problem, the employee will receive a Final Warning.

2. Medical Alcohol/Drug Testing

As part of the mandatory referral for assessment and assistance, an employee may be required to submit to medical alcohol/drug testing.

3. Employee's Consent to Alcohol/Drug Testing

Before any such testing is conducted, the employee will be asked to sign a form authorizing the test and the release of the body fluid sample or specimen, to an outside laboratory for analysis, and authorizing the release of the test results to the appropriate Company management.

An employee's refusal to consent to an alcohol/drug test or to release the results of the test, will result in appropriate disciplinary action, up to and including the immediate termination of employment.

4. Results of Alcohol/Drug Test

If the initial alcohol/drug test is positive, a second confirmation test will be performed on the same specimen or sample using an alternative method.

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5. Return to Work Following a Mandatory Referral

Prior to returning to work following a mandatory referral for assessment and assistance, the employee will be required to provide adequate medical documentation indicating that he/she is medically fit to return to work and operate the Company vehicle. If the medical release includes any ongoing medical restrictions or conditions, the employee will be required to provide documentation that he/she is continuing to comply with those restrictions or conditions, if required by the Medical Department.

Employees will be required to attend all outpatient treatment or aftercare sessions on their own time.

Any relapse or failure to comply with any of these requirements may result in the immediate termination of employment.

6. Serious Misconduct

If serious misconduct, hazardous behavior, damage, negligence, or other extenuating circumstances occur, the employee is subject to the immediate termination of employment.

7. Medical and Disability Coverage

Medical and disability coverage is available for treatment of alcohol/drug problems subject to the provisions and definitions of the Company's medical and disability plans.

8. Voluntary Assistance

Nothing in this policy is intended to limit employee access to voluntary, confidential assistance with alcohol/drug related problems, as long as safety, work performance, attendance or conduct is not affected. Employees will, however, be limited to one voluntary admission to an in-patient treatment program without corrective action being taken, due to the inherent impact of in-patient programs on the employee's availability for work.

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Employee Assistance Program

I. Policy

The Company recognizes that the personal problems of employees can significantly affect work performance. Personal problems include marital, family, financial, behavioral, emotional and mental problems, alcohol/drug abuse, crisis and grief situations, and work related stress. Because the Company values its employees and needs to minimize the effects of personal problems on safety and job performance, professional counseling is offered in the best interest of the employee, the family, and the Company.

RJR has been providing confidential employee counseling since 1949 and is one of the first marriage and family counseling and pastoral counseling programs in American industry. RJR employees, retired employees and their immediate families are eligible for this voluntary and confidential consultation program without charge.

For employees and families outside the Winston-Salem area, professional counselors affiliated with the RJR Nabisco employee assistance network provide the consultation, assessment and referral assistance - also without charge.

This program of assistance is offered as an investment in the employee's well-being. It is to your advantage to get whatever assistance you need as early as possible - before personal problems interfere with health or personal relationships, or spill over onto the job and become performance problems.

Consultation, assessment and referral assistance is available for marital and family concerns, alcohol and other drug abuse, crisis situations, other personal stress and job-related issues.

Referrals of Aetna MultiMed participants to inpatient or outpatient mental health/substance abuse treatment must be pre-approved by Preferred Health Care (PHC).

Consultation, assessment and referral assistance is available by calling:

Employee Assistance Program
(MCC/CIGNA EAP)
1-800-334-8925

or

RJR Employee Counseling
1-800-443-2255
or
(919) 741-2255

Direct referrals to treatment may be obtained by calling:

Preferred Health Care (PHC)
1-800-843-7920

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II. Procedure

1. Voluntary Requests for Assistance

If an employee approaches management and voluntarily requests a referral to one of the Employee Assistance (EAP) programs, the referral will be treated on a confidential basis, as long as performance, attendance, conduct, etc., are not affected. In-patient treatment, either requested by the employee or suggested by the referral agency, which would require the employee to be away from his/her normally scheduled work hours, will be granted only one time without a corrective action being issued.

2. Mandatory Referrals Following Performance Problems

If management observes performance or behavioral problems of such a nature that they cause a concern about either the safety of the employee, or a potential vulnerability for the Company, management will make a mandatory referral to the appropriate assistance agency as part of any corrective action that is issued.

Once the referral has been arranged, the employee will be notified that failure to keep the scheduled appointment may result in the immediate termination of his/her employment.

Assuming that the employee keeps the scheduled appointment, his/her employment status will depend on the medical recommendations of the referral agency and the Company's Medical Director.

If the determination is that the employee is medically fit to work, provided he/she participates in some continuing treatment program, the employee will be required to provide documentation that the requirements of the treatment program are being met, just as in any other situation where medical restrictions apply. Failure to maintain documentation of compliance with the treatment program requirements may result in the immediate termination of employment.

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Consensual Romantic Relationships

The primary concern of the Company in situations involving consensual romantic relationships between employees, or between an employee and a customer or supplier, is the potential negative impact on the Company's business, and the potential liability that arises when a relationship of this type exists. It is a well-established and accepted standard of business conduct, that employees of the Company must avoid situations where their personal interest could conflict with, or even appear to conflict with, the interests of the Company. While the Company desires that employees be free to make personal choices in their private lives, and enjoy social relations and normal business relations, employees must not have any personal interests which conflict with those of the Company, or which might influence or appear to influence their judgment or actions in performing their job duties. All employees must discharge their responsibilities solely on the basis of what is in the best interest of the Company, independent of personal considerations or relationships.

While it is not possible to detail every situation where conflicts of interest may arise, a conflict of interest may well arise when an employee directly, or indirectly, supervises, processes payment to, or engages in other business dealing with an employee or any other individual with whom a consensual romantic relationship exists.

Any time such a conflict of interest, or an apparent conflict of interest, arises, or if an employee thinks that a conflict may arise, it is the responsibility of the employee to disclose the potential conflict to management.

In the event that a Manager or Supervisor involved in such a relationship falsely denies his/her involvement when confronted by upper management, he/she will be subject to corrective action, up to and including immediate termination of employment, due to the fact that such denial would constitute a material misrepresentation, which would prevent the Company from taking the actions necessary to reduce its vulnerability.

In most cases, once the Company becomes aware that such a relationship exists, the appropriate action would normally involve the transfer or reclassification of one or the other of the individuals to another position or location in order to eliminate the perceived conflict of interest created by the relationship.

In a situation where there is no position or location reasonably available at the time which would eliminate the conflict of interest, the individual who would have otherwise been transferred or reclassified will be terminated.

Once again, the Company's actions in these situations are determined strictly by the liabilities they create for the Company, and do not represent any moral judgment or attempt on the part of the Company to unnecessarily interfere in an employee's personal life.

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Safety And Health Program

We value the safety and health of all our employees.

We are committed to identifying and evaluating hazards on an on-going basis, and we actively work to act on that knowledge to prevent accidents, injuries, and illnesses in our workplace.

While we strive to maintain compliance with all applicable laws and regulations, our policy goes beyond compliance, and calls for using a safe and healthful method for any task, whether or not there are regulations that require the safe technique.

We have modeled this program on the guidelines promulgated by OSHA, and have modified it to suit our particular needs where they exceed OSHA standards.

Four Key Elements of the RJR Field Sales Safety and Health Program:

1. Management and Employee Commitment and Involvement

Having a safe and healthful environment in our facilities and work sites requires the dedication and cooperation of all employees. Management provides the motivating force and the resources for organizing and controlling safety and health activities. Employees work to develop and/or express their own commitment to safety and health protection, for themselves and for their fellow workers.

2. Worksite Analysis

We engage in a variety of worksite examinations, to identify not only existing hazards but also conditions and operations in which changes might occur to create hazards. Through inspections, analysis, audits, and employee alertness, we strive to identify all potential hazards, so we can anticipate and prevent harmful occurrences.

3. Hazard Prevention and Control

Whenever hazards are identified, we strive to prevent them by effective design of the job or job site. Where it is not feasible to eliminate the hazards, they are controlled to prevent unsafe or unhealthful exposure. Control may be by engineering, procedure, personal protection, or administrative control. Elimination or control is accomplished in a timely manner, once a hazard or potential hazard is recognized.

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4. Safety and Health Training

On-going training is available for all employees at all levels, and from the first day on following the hiring of a new employee.

Program Elements

1. Roles and Responsibilities

Employees - Each employee is responsible for checking his/her vehicle or other item of equipment used by him/her prior to use each day to ensure a safe operating condition. Any unsafe or improper equipment is to be repaired prior to use and/or reported to management dependent upon the authorization given that employee by local management.

Management - Each manager is to periodically check conditions and equipment encountered in the duties of employees. Checks may be random, scheduled, or initiated by employee reports. Work related injuries are to be investigated and reported within one work day of notification by employees.

Management of each sales office will conduct periodic audits (at least annually) of selected jobs and conditions to verify compliance with this program.

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STANDARDS OF BUSINESS CONDUCT

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November 20, 1992

TO: All R. J. Reynolds Tobacco Company
Salaried Employees

Attached is the Company's Standards of Business Conduct, which have recently been revised and updated. We ask each of you to thoroughly familiarize yourself with the revised Standards.

R. J. Reynolds Tobacco Company is proud of its reputation for integrity and fair dealing. That reputation exists because our employees have consistently exemplified high principles of conduct in their daily business activities.

Many of the guidelines and policies we observe are contained in the Company's Standards of Business Conduct. In the past, we have experienced relatively few deviations from the Standards. However, we cannot rest on our laurels. Because proper business conduct is vital to the reputation and well-being of our Company and its employees, each of us has a continuing obligation to know and follow the Standards. The failure to follow the Standards can result in disciplinary action and, in many instances, can also result in legal liability on the part of the employee and the Company.

The principal modifications in the updated Standards are as follows:

- The Standards specifically address the Company's long-standing policy of equal employment opportunity in all personnel actions and in every phase of business activity.
- The Company's policy of maintaining a working environment free of sexual harassment has been addressed in the Standards.
- Health, safety and environmental protection have been addressed in the Standards to reinforce the responsibility of all employees to conduct the Company's business in a manner that protects the health and safety of our employees and the environment and that ensures compliance with all health, safety and environmental requirements.
- The Standards now include a section regarding compliance with the anti-boycott law, which prohibits any activity in support of a foreign boycott or restrictive trade practice, such as providing information in response to a foreign boycott request.

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- Substance abuse is also addressed in the Standards to emphasize the responsibility of employees to do everything possible to ensure a drug-free workplace.

As in the past, the Standards continue to place a heavy emphasis on compliance with antitrust and federal securities laws. There have been a number of significant developments in these areas, not the least of which is a renewed interest on the part of enforcement authorities, and strict compliance with these laws and regulations is essential. These areas will be the subject of future communications from the Law Department to all appropriate employees.

Any problems or questions you may have concerning the Standards should be discussed with the person to whom you report.

However, if you are aware of any violations of the Standards of Business Conduct or any other applicable law, you are encouraged to contact directly Wayne W. Juchatz, Senior Vice President and General Counsel of R. J. Reynolds Tobacco Company. Such contact will be kept in confidence and may be made without fear of retribution.

We commend each of you for your efforts to uphold our Company's tradition of exemplary conduct, and have every reason to believe that adherence to our high standards will continue.

James W. Johnston
President, Chairman and
Chief Executive Officer

Robert R. Gordon, Jr.
Senior Vice President-Personnel

Wayne W. Juchatz
Senior Vice President, General
Counsel and Secretary

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Dear Fellow Employee:

Our Company has a proud tradition of the highest standards of business conduct.

Policy statements and manuals have set forth standards of personal conduct for employees while at work. However, our business standards are reflected in our decisions and actions day in and day out; and we must maintain them above reproach. Accordingly, we have published our Standards of Business Conduct for our employees and as a matter of public record.

Wherever we work in Reynolds Tobacco Company, we have an obligation to know and follow these standards and to ensure that they are upheld.

Please be sure you understand these standards and their application to you before signing the verification card at the back of the booklet. You may discuss any problems or questions you have with the person to whom you report.

Proper business conduct is vital to the integrity and well-being of our Company and its employees. Therefore, from time to time our Board of Directors may ask us to reverify our compliance with these standards to assure they are being followed.

Sincerely,

James W. Johnston
Chairman and Chief Executive Officer

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IV. STANDARDS OF BUSINESS CONDUCT

I. Conflicts of Interest

Employees of R. J. Reynolds Tobacco Company (hereinafter referred to as "the Company") shall avoid situations where their personal interest could conflict with, or even appear to conflict with, the interests of the Company or RJR Nabisco, Inc. (hereinafter collectively referred to as "the Corporation") and the Corporation's stockholders.

Conflicts of interest arise where an individual's position or responsibilities with the Corporation present an opportunity for personal gain apart from the normal rewards of employment. They also arise where an employee's personal interests are inconsistent with those of the Corporation and create conflicting loyalties. Such conflicting loyalties can cause an employee to give preference to personal interests in situations where corporate responsibilities should come first.

While it is not possible to detail every situation where conflicts of interest may arise, the following corporate policies cover the areas that have great potential for conflict:

A. Speculation in Corporation Securities and Use of Inside Information

There are numerous laws, both federal and state, regulating transactions in corporate securities (stocks, listed options and bonds) and the securities industry. Violation of these laws can lead to civil and criminal actions against the individual and the corporation involved.

1. Employees who know of any material fact about the Corporation which has not been disclosed to the public (commonly known as "insider information") may not engage in any transactions in the Corporation's securities until such information is disclosed to the public. This rule applies equally to securities of other companies. In addition, employees may not provide insider information to others who trade in either the securities of the Corporation or the securities of other companies.

Generally speaking, "a material fact" is a matter as to which an average prudent investor ought to be reasonably informed before buying or selling the security involved. Examples of material facts include information such as knowledge of significant

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new products or discoveries, sales and earnings figures, major contracts, plans for stock splits and acquisitions or mergers.

Employees who have questions relative to the sale or purchase of a security under circumstances where these laws and regulations might apply should consult with the Law Department which may refer them to their personal attorneys.

2. In addition to the prohibition against the use of "insider information" which applies to all employees, the various securities laws place definite restrictions on the manner in which directors and officers of the Corporation, their family members, their associates, etc., may engage in transactions involving the securities of the Corporation. Generally speaking, the laws provide that no officer or director of the Corporation, their family members, their associates, etc., may engage in "short-swing" trading and short sales (any purchase and sale or sale and purchase of securities within any period of less than six (6) months). The Corporation discourages, even in instances where the law is not violated, officers and directors from engaging in trading activity of a speculative nature involving the Corporation's securities.

Whenever there is any doubt as to whether any transactions involving the Corporation's securities would violate securities law officers and directors should consult the Law Department. Within the framework of the foregoing policies and laws, the final decision of each officer or director with respect to securities transactions must be his own.

3. Employees shall not, without proper authority, give or release to anyone not employed by the Corporation, data or information of a confidential nature concerning the Corporation or other entities with whom the Corporation does business. Disclosure of confidential information can be harmful to the Corporation and could be the basis for legal action against the Corporation and the employee disclosing the information.
4. Employees shall not acquire any interest in real estate or any business interest which they know that the Corporation is interested in acquiring. Moreover, based on such advance information, employees shall not acquire any nearby property for speculation or investment.

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B. Personal Financial Interest

Employees should avoid any outside financial interests which might influence their corporate decisions or actions. Such outside commercial interests could include, among other things:

1. A personal or family financial interest in an enterprise which has business relations with the Corporation, if such financial interests represent a material part of the employee's net worth or income, or if these business relations with the Corporation represent a major part of the business of the outside enterprise.
2. An investment in another business which competes with any of the Corporation's interests, if the investment represents a material part of income or the net worth of the individual or of the net worth and income of the outside business, or if the area of competition represents a major part of the activity of the outside business.

C. Outside Activities

Employees should avoid outside employment or activities which would impair the effective performance of their responsibilities to the Corporation, either because of excessive demands on their time, or because the outside commitments can be contrary, or even appear to be contrary, to their obligations to the Corporation. Elected officers shall not serve as a director or officer of any other commercial enterprise without the prior written approval of the Chairman or President of R. J. Reynolds Tobacco Company.

II. COMPETITIVE PRACTICES

The Corporation firmly believes that fair competition is fundamental to continuation of the free enterprise system. The Corporation complies with all applicable laws which prohibit restraints of trade, unfair trade practices, or abuse of economic power.

The Corporation will not enter into arrangements which unlawfully restrict its ability to compete with other businesses, or the ability of any other business organization to compete freely with the Corporation.

Corporate policy also prohibits entering into, or even discussing, any unlawful arrangement or understanding which affects its pricing policies, credit or other terms upon which its products and services are sold, and the number and type of products manufactured or sold, or which might be construed as dividing customers or sales territories with a competitor. Corporate policy also prohibits any discussion of pending applications for

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direct sales listing with any representative of competitors or of existing direct customers.

These principles of fair competition are basic to all our operations. They are integral parts of the following sections that cover the Corporation's dealings with suppliers, customers, and public officials.

III. DEALINGS WITH PERSONS WHO PROVIDE US GOODS AND SERVICES

The Corporation is a valuable customer for many suppliers of goods and services and facilities. People who want to do business, or to continue to do business, with the Corporation must understand that all purchases by the Corporation or any of its reporting units will be made exclusively on the basis of price, quality, service, and suitability to the Corporation's needs.

A. Reciprocity

Providers of goods and services will not be asked to buy goods and services from the Corporation or any of its reporting units in order to become or continue as a supplier.

The Corporation considers such reciprocal dealing a harmful practice and a hindrance to assuring purchase of the best available materials or services at the lowest possible prices.

The Corporation will not attempt to influence its suppliers to purchase from its customers or any of its reporting units. When the Corporation makes purchases, it will not favor firms who are customers of the Corporation or any of its reporting units.

B. "Kickbacks" and Rebates

Corporate purchases or sales of goods and services must not lead to Corporate employees or their families receiving personal kickbacks or rebates. Employees or their families must not accept any form of under-the-table payment.

C. Receipt of Gifts and Entertainment

Even when gifts and entertainment are exchanged out of the purest motives of personal friendship, they can be misunderstood. They can appear to be attempts to bribe our employees into directing Corporate business to a particular supplier. To avoid both the reality and the appearance of improper relations with suppliers or potential suppliers, the following standards will apply to the receipt of gifts and entertainment by Corporate employees:

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1. Gifts

Employees are prohibited from soliciting gifts, gratuities, or any other personal benefit or favor of any kind from suppliers or potential suppliers. Gifts include not only merchandise and products, but also personal services, theater tickets, and tickets to sports events. Employees are discouraged from accepting unsolicited gifts. They are prohibited from accepting gifts of money and gifts in any form which would induce or obligate them to give special consideration to the person or company making the gift.

Employees may accept unsolicited, non-monetary gifts provided:

- (a) they are items of nominal intrinsic value or
- (b) they are advertising and promotional materials, clearly marked with company or brand names.

Any gift of more than nominal intrinsic value must be reported to the recipient's supervisor to determine whether it can be accepted. Some gifts may be personalized or perishable so as to make their return impractical. Supervisors can permit acceptance of such gifts, but can require employees to tactfully inform givers that such gifts are discouraged.

Supervisors can also allow employees to keep returnable gifts of more than nominal value. In so doing they can require employees wishing to keep such gifts to pay the donors the reasonable value of the goods or services involved or to pay the equivalent to the Corporation. In these cases, supervisors can also require that employees tactfully discourage future gifts.

In the transaction of some international business, such as major capital facilities investment, it is lawful and customary for business leaders in some countries to give unsolicited gifts to Corporate employees. These gifts can be of more than nominal value. Moreover, under the circumstances, returning the gifts or paying for them may constitute an affront to the giver.

In such cases, the Corporation can permit the retaining of the gifts by the sponsor duly appointed by the Corporation, or it may require the recipient to transfer ownership of such gifts to the Corporation or to pay the Corporation the reasonable value of such gifts.

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2. Entertainment

Employees shall not encourage or solicit entertainment from any individual or company with whom our Corporation does business. Entertaining includes, but is not limited to, activities such as dinner parties, theater parties, and sports events.

From time to time, employees may accept unsolicited entertainment, but only under the following conditions:

- (a) The entertainment occurs infrequently;
- (b) The entertainment arises out of the ordinary course of business;
- (c) The entertainment involves reasonable, not lavish, expenditures. The amounts involved should be ones employees are accustomed to spending normally for their own business or personal entertainment;
- (d) The entertainment takes place in settings that also are reasonable, appropriate, and fitting to employees, their hosts, and their business at hand; and
- (e) The employee is not tempted to give and does not feel obligated to give to the individual or company providing the entertainment any special consideration.

IV. DEALINGS WITH CUSTOMERS AND POTENTIAL CUSTOMERS

Employees must keep all dealings with customers and potential customers fair and aboveboard. The Corporation gets business and keeps it because of the quality of its goods and services. The Corporation will not give illegal or unethical rebates, kickbacks, under-the-table payments, or other similar improper favors to customers or their representatives.

The boundary line between ethical and unethical competition, or legal and illegal conduct, is not always well-defined, particularly in international activities where differing local laws, customs, and practices come into play or where the Corporation may be transacting business with government or quasi-government entities (e.g., government monopolies or government-owned enterprises). To help keep all of us on the right side of the line, the following standards will service as guidelines:

- A. All employees should make every effort to know and fully comply with all State and Federal laws governing relations with customers as well as competitors.

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- B. All employees engaged in government contracts or contracts and dealings with quasi-governmental entities (e.g., government monopolies or government-owned enterprises) must also remain cognizant of the specific rules and regulations covering relations with public agencies.
- C. Employees will make no gifts to customers or their employees or representatives except items of nominal value which fit the normal and customary pattern of the Corporation's sales efforts for a particular market. Exceptions to this policy can occur in international trade, where it can be legal and a customary and appropriate business practice to give or exchange gifts of more than nominal value with customers or their employees or representatives. Only the Chairman or President of R. J. Reynolds Tobacco Company can authorize the giving, receiving, or exchanging of such gifts. Any gifts received by employees in such an exchange must be reported to the recipient's supervisor for determination as to the disposition of the gift.
- D. Entertainment for any customer must fit regular business practices. The place and type of entertainment and the money spent must be reasonable and appropriate.

V. THE FOREIGN CORRUPT PRACTICES ACT ("FCPA")

The FCPA prohibits the giving or offering of money or anything of value either directly or through a third party to an official of a foreign government, foreign government agency or instrumentality (which may include government monopolies, etc.) or to any foreign political party, official or candidate for certain proscribed purposes.

With narrow exceptions discussed below for which specific approval must be received in advance, such payments are strictly prohibited regardless of the fact that they may be widely accepted or even necessary in the country in question.

This law applies to individuals as well as to corporations and provides for maximum penalties of five years imprisonment and a \$10,000 fine (which the Corporation is prohibited from paying or reimbursing) for individuals and a \$1,000,000 fine for corporations. Violation of this law will subject employees to dismissal as well as to these and possibly additional extremely serious legal sanctions.

The one significant exception to the FCPA is for facilitating payments, but these are narrowly and not entirely clearly defined. For the purpose of the Standards of Business Conduct, employees should assume that "facilitating payment" means only (1) a payment in the nature of "grease",

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policy or rules or award contracts, and (3) given only for the purpose of assuring that the recipient does what he is obliged to do in any event in the normal pursuit of his duties.

In view of the substantial penalties and related consequences (both to the Corporation and involved individuals) and in order to avoid any misunderstanding, it is the Company's policy that no payments or offers to make payments whatsoever, regardless of amount or purpose, including facilitating payments permitted by the FCPA, shall be made either directly or through third parties to officials or employees of government agencies or instrumentalities (including government monopolies) without the prior receipt of a written opinion from the RJRT General Counsel or his designee that the payment would not violate the FCPA. In addition, prior to making any facilitating payment of \$200 or more, the General Counsel of RJR Nabisco, Inc. or his designee must approve such payment.

Employees should not go forward where they are uncertain of the consequences of a given act and should consult their superiors regarding any questions they may have about particular transactions.

VI. ANTI-BOYCOTT LAW

The Export Administration Act of 1979 prohibits any activity in support or furtherance of any restrictive trade practices or boycott imposed by foreign countries against other countries friendly to the United States or against any United States person. The law prohibits the Company from refusing to do business with a person or country for boycott reasons and prohibits taking discriminatory actions or furnishing information in furtherance of or in support of a foreign boycott.

In particular, certain member countries of the League of Arab States enforce a boycott of Israel. The United States anti-boycott law, in general, prohibits the Company from furnishing any information to any of the Arab countries, or companies in those countries, relating to the Company's dealings or lack of any dealings with Israel. Employees must always be alert to "boycott requests" for any such information, as they are commonplace in business documents such as letters of credit and shipping documents.

A "boycott request" is broadly defined to include a request to do anything, including the supplying of information, which could be considered to further or support the Arab boycott of Israel. Such requests may originate from a wide variety of sources. Typical examples of boycott requests include: (1) Questionnaires or other inquiries from boycott offices in Arab countries or other governmental authorities seeking information about relationships with Israel; (2) Requests from customers or foreign import authorities seeking confirmation that goods or services are not of Israeli origin or that the freight insurer, vessel, or other associated with the transaction are not "blacklisted"; (3) Requests from

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include: (1) Questionnaires or other inquiries from boycott offices in Arab countries or other governmental authorities seeking information about relationships with Israel; (2) Requests from customers or foreign import authorities seeking confirmation that goods or services are not of Israeli origin or that the freight insurer, vessel, or other associated with the transaction are not "blacklisted"; (3) Requests from governmental agencies or contractors as to the religion or national origin of persons in the management of a firm; and (4) Clauses in contracts or shipping documents which require the firm doing business with an Arab country or customer to comply with the local boycott laws and regulations or with local laws generally, which include boycott provisions.

Since the mere receipt of a boycott request is a reportable event by law, all employees should immediately seek advice from the RJRT Law Department if any such request is received that solicits the Company's involvement in a restrictive trade practice. No action of any kind should be taken in response to any such request until guidance is received from the Law Department.

VII. DEALINGS WITH PUBLIC OFFICIALS

The nature of the Corporation's business requires it to be in contact with public officials in the United States and foreign countries on a wide variety of matters. Such contacts take place against a background of laws, regulations and public officers' published codes of conduct. Moreover, there is a high level of public interest in dealings by business with public officials. The employees in the Government Relations Department who regularly make these contacts have special responsibilities for upholding the Corporation's good name and relationships with public officials. All other employees should be aware that there are corporate policies and procedures which may require prior coordination with the Government Relations and Legal Departments of the Corporation in contacting public officials. All employees should be aware that various government entities have enacted formal, published codes of conduct and regulations which apply to elected and appointed government officials and their staffs as well as to various other government employees (e.g., government investigators and those involved in negotiating and overseeing government contracts) and those who deal with members or employees of such entities should familiarize themselves with the relevant codes. The following standards govern all employee contacts with public officials:

- A. All employees who contact public officials must be familiar with and obey the lobbying laws and public disclosure requirements.
- B. Some types of contact with public officials (e.g., lobbying) require special record-keeping and the filing of reports which may be made public by the government entities receiving them. All employees

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making contacts with public officials are responsible for keeping proper records, promptly filing with the relevant government entity any reports required of them and submitting copies of such reports, as filed, to the Law Department. They must, as well, promptly furnish such information as is required for the RJR Nabisco Legal Department to file any reports required from the Corporation.

- C. No employee shall make any form of payment, direct or indirect, to any public official as inducement to having a law or regulation enacted, defeated, or violated.
- D. When not prohibited by law or public officials' codes of conduct, employees may make gifts to public officials within any legal or code guidelines, provided that the presentation and acceptance of such gifts is open and aboveboard, customary for the occasion, and normal business practice. Such gifts cannot be for the purpose of corruptly influencing the recipient. All such gifts shall be of nominal reasonable value, and questions as to value should be referred to the RJRT Law Department. If a proposed gift is of more than nominal value, the presentation should be approved in advance by the Chairman or President of RJRT with the concurrence of the General Counsel and the Senior Vice President, Government Relations, or their designees. Such gifts must be presented in a manner that clearly identifies the Corporation and the occasion that warrants the presentation.
- E. When not prohibited by law or public officials' codes of conduct, employees may make gifts to public officials in the form of tobacco and related products, provided the products are part of the Corporation's general marketing and public relations programs.
- F. On special ceremonial occasions, senior officers of the Corporation may publicly give gifts of more than nominal value to public institutions and public bodies. Such gifts can commemorate special events or milestones in the Corporation's history, such as the dedication of a new facility. These may be transmitted through public officials, but the gifts are given to the public institutions and public groups they represent, not the officials personally.
- G. From time to time employees may entertain public officials as allowed by applicable laws and regulations. Entertainment can be provided only under the following conditions:
 - 1. The entertainment is not for the purpose of corruptly influencing the official;
 - 2. The entertainment is not solicited by the public official;

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3. The entertainment arises out of the ordinary course of business;
4. The entertainment does not involve lavish expenditures or excessive frequency, considering the circumstances; and
5. The settings and types of entertainment are reasonable, appropriate and fitting to our employees, their guests and the business at hand.

Some public officials with whom employees have dealings might be candidates for reelection. In these instances, the corporate standards applicable to the Corporation's relationship with political candidates must also be observed.

VIII. POLITICAL ACTIVITIES AND CONTRIBUTIONS

Federal law and the statutes of many states prohibit the corporation from contributing money, services, facilities or anything of value to political candidates or political parties. United States law also prohibits similar contributions to foreign political parties, officials or candidates for political office for the purpose of influencing any act or decision of such political party or candidate or inducing such candidate or political party to use his or its influence with a foreign government or instrumentality in order to assist in obtaining or retaining business. The laws of some states allow the Corporation to contribute to candidates for state or local elective office or to a campaign committee established to support or oppose a ballot issue.

The Corporation has established a specific policy and procedure which must be followed before a corporate state, local or foreign political contribution can be made. Under these policy and procedure guidelines, approval requests must be originated by the RJRT Vice President, Government Relations.

Presently, Federal and certain State laws permit corporate funds to be used in the formation and the administration of "political action committees" which can receive voluntary political contributions from eligible employees and their families. All such voluntary contributions received must be accounted for in separate, segregated funds, strictly apart from those of the Corporation.

No corporate action, direct or indirect, will be allowed that infringes on the right of any employee individually to decide whether, to whom, and in what amount, he or she will make personal political contributions. The same is true of volunteer political donations of personal service time, so long as it does not interfere with the working status of employees. Employees who

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participate in partisan political activities on their own behalf and their own time must not purport to speak or act for the Corporation.

IX. INTEGRITY OF RECORDS AND FINANCIAL REPORTS

The integrity of the Corporation's record-keeping and reporting systems will be respected at all times. Employees and supervisors are forbidden to use, authorize, or condone the use of "off-the-books" record-keeping, secret accounts, unrecorded bank accounts, "slush" funds, falsified books, or any other devices that could be utilized to distort records or reports of the Corporation's true operating results and financial conditions. due to Federal legislation, maintenance of falsified, inaccurate or incomplete records can subject the offending individual and Corporation to civil and criminal penalties.

X. EQUAL EMPLOYMENT OPPORTUNITY

The Company adheres to a policy of equal employment opportunity in all personnel actions and in every phase of business activity. The Company will not discriminate against any employee or applicant in any personnel action on the basis of race, color, religion, sex, sexual orientation, age, national origin, handicap or veteran status, and will strive to provide a workplace free from harassment on the basis of any of the foregoing. The Company will neither retaliate nor discriminate against any employee or applicant because he or she has opposed any employment practice made unlawful, filed a charge of employment discrimination, or participated in any investigation, proceeding, or hearing related to employment practices. Further, the Company will implement effective Affirmative Action Programs for minorities, females, the handicapped, disabled veterans and veterans of the Vietnam Era.

XI. SEXUAL HARASSMENT

It is the policy of R. J. Reynolds Tobacco Company to maintain a working environment free of all forms of sexual harassment. Sexual harassment in any manner or form is unlawful and expressly prohibited. Sexual harassment is not limited to but does include unwelcome verbal comments, gestures or physical actions of a sexual nature; subtle pressure for sexual favors from or sexual activity with another employee; and creating an environment that is intimidating, hostile or offensive to an employee. Complaints of alleged sexual harassment will be promptly and thoroughly investigated, and if it is determined that sexual harassment has occurred, appropriate corrective action will be taken.

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XII. HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Employees are responsible for conducting the Company's business in a manner that protects the health and safety of Company employees and the environment. Employees should act at all times in a manner that ensures Company compliance with all applicable governmental and private health, safety and environmental requirements.

XIII. SUBSTANCE ABUSE

The Federal Drug-Free Workplace Act of 1988 makes the distribution, possession or use of an illegal controlled substance in the workplace or while conducting Company business off premises strictly illegal. The use of illegal drugs at work has an adverse effect on employee performance, jeopardizes the safety of employees and constitutes a risk to the business and interests of the Company. Employees should do everything possible to make our workplace drug free.

XIV. USE OF AGENTS AND NON-EMPLOYEES

Agents or other non-employees cannot be used to circumvent the law. Employees and supervisors will not retain agents or other representatives to engage in practices that run contrary to the Corporate Standards of Business Conduct.

XV. STANDARDS COMPLIANCE**A. Initial Distribution**

1. Current employees designated to receive these Standards will have received their copies immediately after their initial publication.
2. Future employees designated to receive these Standards will receive their copies at the time they are hired.

B. Initial Verification

Upon receiving their copy of the Standards, employees, current and future, will:

1. Become thoroughly familiar with the Standards.
2. Resolve any doubts or questions about the Standards with their supervisors.

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3. Inform their supervisors of any existing holdings or activities that might be, or appear to be, at variance with the Standards.
4. Prepare written disclosures of such information, if requested by supervisors.
5. Take steps to correct existing situations and bring holdings and activities into full compliance. Such steps will be approved in writing by supervisors and will be based on the written disclosures submitted by employees.
6. Sign the verification and turn it in to their supervisors who will make it a part of the employees' permanent corporate records.

C. Maintaining Compliance

1. Employees have the responsibility of maintaining their understanding of the Standards and of following them. An order from a supervisor to violate the Standards is no excuse.
2. Supervisors have the responsibility of maintaining an awareness on the part of their employees of the importance of their adhering to the Standards.
3. As requested by the Board of Directors or senior management, employees or supervisors will be asked to verify their understanding of the Standards and their compliance with them.
4. Employees must inform their supervisors of any changes in their holdings or activities that might be, or appear to be, at variance with the Standards.
5. Employees must prepare written disclosures of such information, if requested by supervisors.
6. Employees must take steps to correct any such changes, if necessary, to bring holdings and activities into full compliance. Such steps will be approved in writing by supervisors and will be based on the written disclosure submitted by employees.

D. Audits of Compliance

Regular audits of the Corporation will include procedures to test compliance with the Standards of Business Conduct.

The Board of Directors or senior management can order special audits of compliance.

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XVI. STANDARDS VIOLATIONS

- A. Employees should immediately report any violation of the Standards. Failure to do so can have serious consequences for the employees and the Corporation.
- B. Reports of violations should be made by employees to their supervisors or, if circumstances make this inappropriate, to the General Counsel.
- C. Management has the responsibility of promptly and thoroughly investigating all reports.
- D. After a violation is investigated, appropriate action will be taken. Management has the right to determine what disciplinary action will be taken for a violation, ranging from an oral reprimand to termination. All proposed disciplinary action is subject to review by senior management.
- E. Employees should be aware that in addition to any disciplinary action taken by the Corporation, violations of some Standards may require restitution and may lead to civil or criminal action against individual employees and any corporation involved.
- F. Management has the responsibility of taking remedial steps to correct any operating procedures that may have contributed to violations of Standards.

XVII. CONTINUANCE OF EXISTING PERSONNEL POLICIES, RULES AND PERFORMANCE STANDARDS

The Corporation has codified numerous personnel policies, rules and standards of employee performance, which continue in force. These Standards of Business Conduct are intended to supplement and amplify those established personnel policies, rules and standards.

It continues to be the responsibility of all members of management to comply with all such policies, rules and performance standards. Additionally, they are to continue making certain that employees reporting to them are made aware of established policies, rules and performance standards and comply with them.

XVIII. UPDATING

The Corporation will periodically review its Standards of Business Conduct and make appropriate additions or changes. Employees will be fully informed of all updating of the Standards.

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CIGARETTE ADVERTISING & PROMOTION
CODE

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V. CIGARETTE ADVERTISING AND PROMOTION

CODE

Cigarette smoking is an adult custom. Children should not smoke. Laws prohibiting the sale of cigarettes to minors should be strictly enforced. The cigarette manufacturers advertise and promote their products only to adult smokers. They support the enactment and enforcement of state laws prohibiting the sale of cigarettes to persons under the age of 18.

The cigarette manufacturers have adopted the following Code to emphasize their policy that smoking is solely for adults.

This Code, as set forth below, combines (1) the provisions of the original Cigarette Advertising Code of 1964, as restated in 1982; (2) the Code of Cigarette Sampling Practices of 1981; and (3) the additional restrictions on cigarette advertising and promotion adopted by the industry in 1990.

Advertising

1. Cigarette advertising shall not appear:
 - (a) In publications directed primarily to those under the age of 21 years of age, including school, college or university media (such as athletic, theatrical or other programs), comic books or comic supplements; or
 - (b) on billboards located within 500 feet of any elementary school, junior high school or high school or any children's playground.
2. No payment shall be made by any cigarette manufacturer or any agent thereof for the placement of any cigarette, cigarette package, or cigarette advertisement as a prop in any movie produced for viewing by the general public.
3. No one depicted in cigarette advertising shall be, or appear to be, under 25 years of age.
4. Cigarette advertising shall not suggest that smoking is essential to social prominence, distinction, success or sexual attraction, nor shall it picture a person smoking in an exaggerated manner.
5. Cigarette advertising may picture attractive, healthy looking persons provided there is no suggestion that their attractiveness and good health is due to cigarette smoking.

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6. Cigarette advertising shall not depict as a smoker anyone who is or has been well known as an athlete, nor shall it show any smoker participating in, or obviously just having participated in, a physical activity requiring stamina or athletic conditioning beyond that of normal recreation.
7. No sports or celebrity testimonials shall be used or those of others who would have special appeal to persons under 21 years of age.

Sampling

1. Persons who engage in sampling shall refuse to give a sample to any person whom they know to be under 21 years of age or who, without reasonable identification to the contrary, appears to be less than 21 years of age.
2. Sampling shall not be conducted in or on public streets, sidewalks or parks, except in places that are open only to persons to whom cigarettes lawfully may be sold.
3. Cigarette product samples shall not otherwise be distributed in any public place within two blocks of any centers of youth activities, such as playgrounds, schools, college campuses, or fraternity or sorority houses.
4. The mails shall not be used to distribute unsolicited cigarette samples.
5. Cigarette samples shall not be distributed by mail without written, signed certification that the addressee is 21 years of age or older, a smoker and wished to receive a product sample.
6. Cigarette samples shall not be distributed in direct response to requests by telephone.
7. Persons who engage in cigarette sampling shall not urge any adult 21 years of age or over to accept a sample if the adult refuses to accept such sample.
8. Persons who engage in sampling shall indicate by oral or written means that samples are intended only for smokers.
9. No cigarette samples shall be distributed by a sampler in a public place to any person in a vehicle.

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10. Persons distributing cigarette samples shall secure their stocks of samples in safe locations to avoid inadvertent distribution of samples contrary to these provisions.
11. Persons distributing cigarette samples shall avoid blocking or otherwise significantly impairing the flow of pedestrian traffic.
12. In the event that circumstances arise at a particular location that make it unlikely that sampling can be conducted in a manner consistent with the provisions of this Code, sampling shall be stopped at that location until such circumstances abate.
13. Persons distributing samples shall promptly dispose of empty sample boxes and shall take reasonable steps to ensure that no litter remains in the immediate area of sampling as a result of sampling activities.
14. Each cigarette manufacturer shall impose by contract on all independent contractors who conduct cigarette sampling on the manufacturer's behalf, a set of sampling standards no less stringent than those contained in this Code. In addition, each cigarette manufacturer shall require such sampling contractors to inform all personnel employed by the contractor who engage in sampling activities of the provisions of this Code concerning cigarette sampling, both orally and in writing.
15. Persons who engage in sampling shall be monitored on a periodic basis by supervisory personnel of the cigarette manufacturer and/or independent contractor for whom the sampling activities are being conducted to ensure the sampling activities are being conducted to ensure compliance with the provisions of this Code concerning cigarette sampling.
16. Each cigarette manufacturer shall take all reasonable steps to ensure that any person who engages in sampling and knowingly violates any of the provisions of the Code concerning cigarette sampling, shall be discharged from employment as a cigarette sampler.

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Other Promotional Activities

1. There shall be no mail distribution of non-tobacco premium items bearing cigarette brand names, logos, etc., without written, signed certification that the addressee is 21 years of age or older, a smoker, and wishes to receive the premium.
2. There shall be no other distribution of non-tobacco premium items bearing cigarette brand names, logos, etc., except with the purchase of a package or carton of cigarettes or to a person 21 years of age or older.
3. Clothing bearing cigarette brand names or logos shall be in adult sizes only.

Definitions

1. "Advertising" means all forms of advertising, including vehicle decals, posters, pamphlets, matchbook covers and point of purchase materials in the United States, Puerto Rico, and U.S. territorial possessions.
2. "Sampling" means giving or distributing without charge of packages of cigarettes in a public place for commercial advertising purposes ("cigarette samples"), but does not include isolated offerings of complimentary packages or the distribution of such packages to wholesale or retail customers or to company shareholders or employees in the normal course of business.

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EMPLOYEE RECEIPT

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EMPLOYEE ACKNOWLEDGMENT OF RECEIPT AND UNDERSTANDING

I, _____, hereby acknowledge that I have received, read,
PRINT NAME
and understand the Field Sales Employee Handbook, and that I agree to abide
by all policies, procedures, standards, etc., set forth therein. Specific areas
addressed in the "Handbook" include the following:

I. GENERAL INFORMATION	PAGE
♦ Work Week.....	1
♦ Expense Reports.....	1
♦ Name Stamp.....	1
♦ Absence From Work.....	2
♦ Field Sales Operating Fund	2
♦ Robinson-Patman Act.....	3
♦ Rumors.....	3
♦ Communications With Competitors & Customers.....	3
♦ Statements Involving the Company	4
♦ Handling of Merchandise.....	4
♦ Calling on Schools.....	4
♦ Security	5
♦ Vehicle Security Checklist.....	6
♦ Referral Bonus Plan for Referring Representatives and Secretaries	8
 II. COMPANY VEHICLES	
♦ Operating Guidelines	1
♦ Preventative Maintenance.....	1
♦ Maintenance of Vehicle	2
♦ Repairs Under \$100	2
♦ Repairs Over \$100	2
♦ Gasoline and Oil.....	4
♦ Tires/Tire Maintenance.....	4
♦ Washing	4
♦ PHH Service Card	4
♦ Insurance Cards	5
♦ Registration Renewal	5
♦ Accidents.....	5
♦ Accident Repair Instructions.....	7
♦ Alcohol/Drugs.....	8
♦ Summons/Subpoena	8
♦ Personal Use.....	8
♦ Storage.....	8
♦ Vehicle Break-Ins	9
♦ Rental Vehicles	9

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♦ Employee's Personal Vehicles/Company Business	10
♦ New Vehicle Ordering	10
♦ New Vehicle Delivery	10
♦ Old Vehicle Disposition	11
♦ Safe Driving Program	11
♦ Seat Belts	12
♦ Personal/Commuting Mileage	12

III. EMPLOYMENT PRACTICES

♦ Equal Employment and Affirmative Action	1
♦ Sexual Harassment	1
♦ Corrective Actions	2
♦ Alcohol/Drug Abuse	3
♦ Employee Assistance Program	6
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IV. STANDARDS OF BUSINESS CONDUCT

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♦ Conflicts of Interest	6
♦ Competitive Practices	8
♦ Dealings With Persons Who Provide Us Goods and Services	9
♦ Dealings With Customers and Potential Customers	11
♦ The Foreign Corrupt Practices Act ("FCPA")	12
♦ Anti-Boycott Law	13
♦ Dealings With Public Officials	14
♦ Political Activities and Contributions	16
♦ Integrity of Records and Financial Reports	17
♦ Equal Employment Opportunity	17
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♦ Health, Safety and Environmental Protection	18
♦ Substance Abuse	18
♦ Use of Agents and Non-Employees	18
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VI. EMPLOYEE RECEIPT

51843 0630

I further understand that should I have any questions in the future regarding Field Sales policies, procedures, standards, etc., I should discuss them with my immediate manager, or higher levels of management, as appropriate.

NAME

DATE

SOCIAL SECURITY NUMBER

51843 0631